



# Penn Treaty Network America Insurance Company

(PTNA Life Insurance Company in CA)

June 8, 2000

Via Facsimile and First Class U.S. Mail

Herbert E. Schwartz  
7329 NE 18<sup>th</sup> Street  
Medina, WA 98039

Neal A. Forman  
4523 102<sup>nd</sup> Lane NE  
Kirkland, WA 98033

Dear Herb and Neal:

It was a pleasure meeting with both of you recently and, as promised, I have drafted this letter to confirm, in writing, the AllRisk terms and provisions that we agreed to modify during the meeting. If the modified terms meet with your approval, please indicate your consent by signing below. You will note that I have also included a space for Web to sign and I would ask that you forward this letter to him after you have both signed the letter. The modified terms are as follows:

1. A new pricing structure will be implemented on or about June 19, 2000. The cost for all ages shall be \$695.00 for an individual membership and \$995.00 for a couple and/or a household membership.
2. There shall be no commission reduction to agents as a result of this new pricing structure.
3. All parties understand and agree that it is necessary to obtain information on both the "usual and customary" charges by zip code listing and the average discount per network provider cost from HSI. As we discussed, the charge by HSI for this information is \$20,000 upon our receipt of the initial list and \$500 every month thereafter in order to obtain monthly updates from HSI.
4. All charges billed by HSI shall be shared equally by the parties with Penn Treaty being responsible for 50% of all cost, NHCS being responsible for 33.33% of the costs and Web Barth being responsible for 16.66% of the costs.
5. Both Penn Treaty's agreement with NHCS and NHCS's agreement with Web Barth shall be amended to reflect that the administrative fee paid by NHCS to Web Barth shall be adjusted from the current \$99.80 per member to \$99.80 per household.
6. Pursuant to discussions held yesterday between the parties and Web Barth, Penn Treaty shall be permitted to contact HSI directly in order to obtain network provider information.
7. Any agents who are not licensed with Penn Treaty may be sponsored by another agency to sell AllRisk memberships.
8. Penn Treaty and NHCS shall develop and agree upon the contents of a letter to be sent to all existing members of the AllRisk program as of June 19, 2000, concerning the implementation of the new pricing structure. The letter will offer such members the opportunity to extend their membership for an additional year at no extra cost and will require that such members formally accept this option.



9. The parties have agreed to roll-out the AllRisk product on an national basis on or about June 19, 2000; however it is understood and agreed that neither party shall market the AllRisk plan in states in which the product is not in compliance with a states' laws and regulations, Penn Treaty has retained legal counsel to serve as an advisor as to which states the AllRisk program is in compliance and both parties agree that the AllRisk plan will not be marketed in any state where the product may not be in compliance.

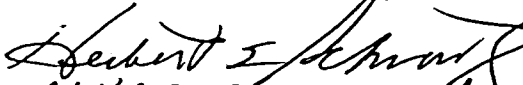
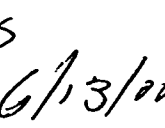
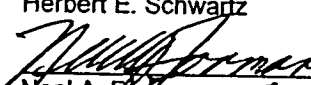

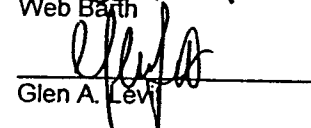
I am forwarding the original of this letter to Herb with a copy to Neal. If you are in agreement with the above and intend to be legally bound thereby, please execute this letter where indicated below. I would ask that Herb execute the letter and then forward the original to Neal for his signature. Neal should then forward the original letter to Web Barth for his signature as well. The letter should then be sent back to me and I will obtain Glen's signature and will forward copies of the letter to all parties.

Very truly yours,

PENN TREATY NETWORK AMERICA INSURANCE COMPANY

Jane M. Bagley  
General Counsel

ACCEPTED AND AGREED TO:

 _____ NHCS PRESIDENT	 6/13/00
Herbert E. Schwartz	Date
 _____ Neal A. Forman CEO	6-13-2000
Neal A. Forman	Date
 _____ Web Barth	6/15/2000
Web Barth	Date
 _____ Glen A. Levi	6/15/00
Glen A. Levi	Date

cc. Neal A. Forman